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MANGEL STORES CORPORATION

AND SUBSIDIARIES

ANNUAL REPORT
FOR THE FISCAL YEAR
ENDED JANUARY 31, 1952

K Friedsdorf

COMPARISONS OF FINANCIAL AND STATISTICAL DATA

Year Ended	Number of Stores	Net Sales	Net Working Capital	Provision for Federal Taxes	Transferred to Surplus	Earnings Per Common Share
Dec. 31, 1945	94	$23,446,407	$3,492,815	$2,072,438	$917,976	$3.57
Dec. 31, 1946	92	21,745,066	2,910,000	459,604	653,857	2.55
Dec. 31, 1947	90	22,673,345	3,009,757	382,845	691,981	2.69
Dec. 31, 1948	89	27,081,382	3,373,724	559,369	993,596	3.87
Dec. 31, 1949	89	25,668,102	4,046,309	231,190	544,994	2.12
Jan. 31, 1951	115*	25,635,310	4,394,366	413,764	615,404	2.40
Jan. 31, 1952	117*	29,116,235	6,108,845	376,952	743,721	2.90

**Includes acquisition of 26 stores in September, 1950.*
In 1945, 104,970 shares of common stock were issued in exchange for 17,495 shares of convertible preferred stock.

March 28, 1952.

To The Stockholders of

MANGEL STORES CORPORATION:

There are presented herewith the Consolidated Balance Sheet as at January 31, 1952 and the related Consolidated Statements of Income and Surplus for the year then ended.

Net sales for the fiscal year ended January 31, 1952 totalled $29,116,235 which is the highest sales volume attained in the history of your Company. This compares with $25,635,310 for the previous fiscal year and represents an increase of over 13%.

Net income after Federal taxes for the fiscal year ended January 31, 1952 was $743,721 or $2.90 per share compared with $615,404 or $2.40 per share for the previous fiscal year. This represents an increase in net income of $128,317 or over 20%.

Regular quarterly dividends of 25c per share were continued during the past year.

The number of stores in operation at the end of the last fiscal year was 117 as compared with 115 at the end of the previous year. Last year's results include a full year's operation of the Salle Ann Shops of Texas and Salle Ann Shops of Louisiana, Inc., which were acquired in September, 1950.

During the past year units located in Kansas City, Mo. and Paris and Sherman, Tex. were discontinued and new stores were opened in Decatur, Ala., Fayetteville, Ark., Greenville and Natchez, Miss., and an additional location was added in Huntington, W. Va. The following stores were either enlarged, modernized or relocated: Beaumont, Tex., Columbia and Greenville, S. C., Greensboro, N. C., Macon, Ga., and New Orleans, La. The foregoing represents a continuation of your Company's policy to discontinue unprofitable locations and to improve profitable ones. This program will be followed during the current fiscal year.

An additional long term loan in the amount of $1,500,000 was obtained last year from The Prudential Life Insurance Company of America on favorable terms, the proceeds of which provided your Company with additional working capital as reflected in the enclosed Balance Sheet.

In view of current business conditions, your Management will continue its present aggressive merchandising policy and will concentrate on effecting operational economies wherever possible.

Respectfully submitted,

SOL MANGEL,

President.

MANGEL STORE

AND SUBS

CONSOLIDATED BALANCE SHE

ASSETS

CURRENT ASSETS:		
Cash on hand and in banks		$ 2,437,286.38
United States bonds and Treasury certificates—at cost, plus accrued interest		46,371.37
United States Treasury notes—at cost, plus accrued interest		500,900.00
Accounts receivable, trade—less reserve (including employees' accounts)		1,850,131.05
Merchandise inventory—at the lower of cost or market, based upon the retail method of inventory valuation		2,890,610.64
Merchandise in transit—at cost		181,572.97
TOTAL CURRENT ASSETS		7,906,872.41
OTHER ASSETS:		
Loans to employees—less reserve	$ 16,785.00	
Sundry deposits and investments	5,543.90	
Estimated refundable portion of prior years' Federal taxes on income under carry-back provisions of the Internal Revenue Code	9,250.00	31,578.90
FIXED ASSETS:		
Real estate (at values as appraised for the management in June 1932 with subsequent additions at cost) — subject to mortgages shown contra	$ 369,954.00	
Less: Reserve for depreciation	47,065.92	322,888.08
Furniture and fixtures and leasehold improvements — at cost	6,952,772.88	
Less: Reserves for depreciation and amortization	3,232,789.46	3,719,983.42 4,042,871.50
DEFERRED CHARGES:		
Unexpired insurance	108,128.96	
Prepaid taxes, expenses, etc.	229,843.40	337,972.36
GOODWILL		1.00
		$12,319,296.17

The Notes to Accounts, appended hereto, are an integral part

NOTES TO ACCOUNTS

NOTE A—Under loan agreements dated March 1, 1949, September 15, 1950 and October 25, 1951, loans aggregating $4,000,000.00 were obtained from The Prudential Insurance Company of America evidenced by promissory notes of which $2,500,000.00 matures in 1961 and $1,500,000.00 in 1966. On March 1 and September 1 in each year, until the notes shall be paid in full, payments of $133,500.00 shall be made to apply to the prepayment of the notes with the exception of March 1, 1952, on which date the payment is $83,500.00. The notes bear interest at the rates of 3⅞%, 3¼% and 4% per annum.

The loan agreements contain certain restrictions which limit the payment of dividends (except stock dividends), the net reduction of capital stock and the amount of certain investments to 70% of consolidated net earnings subsequent to January 31, 1951, plus $250,000.00. As at January 31, 1952, the amount of $513,818.29 was not subject to these restrictions.

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T AS AT JANUARY 31, 1952

LIABILITIES

CURRENT LIABILITIES:			
Notes payable—The Prudential Insurance Company of America, installments due within one year—Note A			$ 217,000.00
Accounts payable—merchandise, less discounts			381,643.68
Accounts payable—expenses, taxes, etc.			638,415.46
Customers' deposits on layaway sales and credits			156,865.18
Mortgage installments payable within one year			6,749.51
Reserve for Federal taxes on income			397,354.02
TOTAL CURRENT LIABILITIES			1,798,027.85
NOTES PAYABLE—The Prudential Insurance Company of America, less installments due within one year shown above—Note A			3,418,000.00
MORTGAGES ON REAL ESTATE PAYABLE IN INSTALLMENTS, interest at 4% per annum—less installments payable within one year shown above:			
Mortgage payable through September 1, 1964	$ 81,256.74		
Mortgage payable through January 1, 1966	46,178.50		127,435.24
TOTAL LIABILITIES			5,343,463.09
DEFERRED INCOME			115,948.57
CAPITAL STOCK AND SURPLUS:			
Common Stock—par value $1.00 per share:			
Authorized	300,000 shares		
Issued	282,470 shares	$282,470.00	
Less: Treasury stock	25,683 shares	25,683.00	
Outstanding	256,787 shares	256,787.00	
Surplus—Notes A and B:			
Capital Surplus		789,506.00	
Earned Surplus (since January 1, 1936)		5,813,591.51	6,603,097.51	6,859,884.51
			$12,319,296.17

of this statement and should be read in conjunction herewith.

NOTE B—The consolidated Earned and Capital Surplus includes undistributed earnings of subsidiaries which may be subject to Federal taxes on income if and when received by the parent company in the form of dividends.

NOTE C—As at January 31, 1952, the minimum annual rentals on property covered by 97 leases expiring after January 31, 1955 amounted to approximately $985,000.00. Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc. In addition, four lease agreements provide for rentals exclusively on the basis of sales.

GENERAL—The accompanying financial statements are subject to final determination of Federal, state and local taxes.

MANGEL STORES CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SURPLUS

FOR THE YEAR ENDED JANUARY 31, 1952

CAPITAL SURPLUS—Notes A and B:	
Balance as at January 31, 1951 and January 31, 1952	$ 789,506.00
EARNED SURPLUS (since January 1, 1936)—Notes A and B:	
Balance as at January 31, 1951	5,326,656.67
Net income	743,721.84
	6,070,378.51
Dividends paid on Common Stock at the rate of $1.00 per share	256,787.00
Balance as at January 31, 1952	$5,813,591.51

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED JANUARY 31, 1952

Net sales, including leased departments' sales	$29,116,235.82
Cost of sales, and general, administrative and selling expenses (exclusive of depreciation)—less service charges on budget accounts	27,482,142.90
	1,634,092.92
Provision for depreciation	547,886.94
	1,086,205.98
Other income less other deductions	34,468.45
Net income before Federal taxes on income	1,120,674.43
Provision for Federal taxes on income	376,952.59
Net income	$ 743,721.84

The Notes to Accounts, appended hereto, are an integral part of these statements and should be read in conjunction herewith.

ACCOUNTANTS' REPORT

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 31, 1952 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the notes to accounts, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 31, 1952, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

S. D. Leidesdorf & Co.

New York, N. Y.
March 18, 1952

OFFICERS

SOL MANGEL	*President*
PHILLIP F. FRANKEL	*Vice-President*
PHILIP DIAMOND	*Treasurer*
MAX WEINREICH	*Secretary*
ISRAEL A. DIAMOND	*Assistant Secretary*

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DIRECTORS

SAMUEL DEITELZWEIG
ISRAEL A. DIAMOND
PHILIP DIAMOND
PHILLIP F. FRANKEL
MILTON M. FRITCH
SAUL C. GUZY
SIDNEY MANGEL
SOL MANGEL
MAX WEINREICH

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Executive Offices
1107 Broadway, New York 10, N. Y.

Registrar
Manufacturers Trust Company
55 Broad Street, New York 4, N. Y.

Transfer Agent
Guaranty Trust Company of New York
140 Broadway, New York 15, N. Y.